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REGULATORY AUTH.

BEFORE THE TENNESSEE REGULATORY AUTHORITY
AT NASHVILLE, TENNESSEE

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OFFICE OF THE
ATTORNEY GENERAL

In Re: Petition of United Cities Gas Company)
Regarding Affiliated Transaction and Request for)
Permission to Include New Agreement Covering)
East Tennessee-NORA Delivery Point)

Docket No. 00-00844

**UNITED CITIES GAS COMPANY'S PETITION
REGARDING AFFILIATED TRANSACTION AND
REQUEST FOR PERMISSION TO INCLUDE NEW AGREEMENT
COVERING EAST TENNESSEE-NORA DELIVERY POINT**

COMES NOW United Cities Gas Company, a division of Atmos Energy Corporation (United Cities) and in accordance with the provisions contained in the Tennessee Regulatory Authority's (Authority) Final Order Phase One issued on January 14, 1999 and On Phase Two issued on August 16, 1999, in the above captioned matter (hereinafter referred to as the "Authority's Orders"), and in accordance with the Tennessee Guidelines for United Cities Gas Company's Affiliate Transactions, which are attached to the Authority's Orders, and which are attached to an Order issued by the Authority dated December 3, 1999, in this matter, files this Petition with the Authority.

A. COMPLIANCE FILING REGARDING AFFILIATED TRANSACTIONS

1. The Authority's Order issued on August 16, 1999, in this matter contains the following provision:

Prior to any affiliate transactions being included in the computation of savings or losses from this performance-based ratemaking mechanism,

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said affiliate transactions must first comply with the Tennessee Guidelines for United Cities Gas Company's Affiliate Transactions. Documentation of compliance is to be presented by the Company to the Authority during the TRA's annual audit of the Incentive Plan Account. The Authority, at the conclusion of each annual audit, will make a determination of the Company's compliance with all of the affiliate guidelines;

Authority's Order, page 27.

2. The Tennessee Guidelines for United Cities Gas Company's Affiliate Transactions include the following guideline:

10. When the Company purchases information, assets, goods or services from an affiliated entity, the Company shall either obtain competitive bids for such information, assets, goods or services or demonstrate why competitive bids were neither necessary nor appropriate.

Tennessee Guidelines for United Cities Gas Company's Affiliate Transactions, paragraph 10, page 2.

3. The order issued by the Authority in this matter on December 3, 1999, which made a determination of United Cities' compliance with affiliated guidelines for year one of the Company's permanent PBR plan (April 1, 1999-March 31, 2000), contained the following requirement:

4. On a going-forward basis, Standard of Conduct No. 10 will be in effect and United Cities must provide proof of competitive bids before a contract with an affiliate will be included in the PBR computation.

Order Re: Determination Of Compliance With Affiliate Guidelines, Docket No. 97-01364, dated December 3, 1999, page 8.

4. United Cities' current gas supply agreement covering requirements for its NORA/Dickerson #1 Delivery Point on the NORA/East Tennessee Natural Gas Pipeline expires October 31, 2000. In order to replace the gas supplies under the expiring contract, United Cities has

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requested competitive bids from the two suppliers which currently hold capacity on the NORA/East Tennessee Natural Gas Pipeline system. The request for bids was made, in part, so United Cities could comply with the Authorities Guidelines on Affiliate Transactions. One of the two suppliers holding capacity on the NORA/East Tennessee Natural Gas Pipeline is Woodward Marketing L.L.C. (Woodward), an affiliate of United Cities.

5. Beginning in the fall of last year, United Cities made its request for competitive bids to the two companies currently holding pipeline capacity on the NORA/East Tennessee Pipeline: Equitable Energy and Woodward Marketing, LLC.

6. In response to its request for competitive bids, United Cities received responses from both suppliers. A copy of each of the responses is attached to this compliance filing as Exhibit A, and is incorporated herein by reference. The responses are being submitted to the Authority under seal, and United Cities would request that the Authority treat these documents as containing highly confidential and competitively sensitive information.

7. Upon receipt of the two competitive bids, United Cities' Gas Supply Planning employees submitted their evaluation and analysis of the bids to the management of United Cities. A summary of that evaluation is attached to this compliance filing as Exhibit B, and is incorporated herein by reference. Because United Cities' summary of its evaluation of the bids contains the highly confidential and competitively sensitive information contained in the bids received by United Cities, this information is being submitted under seal. United Cities would request that the Authority treat the information contained in Exhibit B as confidential.

8. Based upon its evaluation of the bids received from the two gas suppliers, United Cities' management has determined that the contract price under the proposal submitted by Woodward

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is the most competitive. A copy of the contract with Woodward is attached hereto as Exhibit C. United Cities would request that the Authority treat the information contained in Exhibit C as confidential.

9. United Cities' respectfully submits that the information being provided in this compliance filing clearly demonstrates that the affiliated transaction with Woodward complies with the above mentioned guidelines and requirements established by the Authority in this docket and that the new Woodward contract should be included in the PBR computation for the period.

B. REQUEST FOR PERMISSION TO INCLUDE NEW AGREEMENT COVERING EAST TENNESSEE/NORA DELIVERY POINT

10. The Authority's Order issued on January 14, 1999 in this matter contains the following provision:

After considering the testimony given during the Phase One hearing, the Authority concludes that (1) NORA contract existed prior to the PBR mechanism, and (2) it required no change in purchasing behavior by the Company. The NORA contract was not negotiated in response to the incentive mechanism, but acted as a catalyst to hasten the benefits derived therefrom. Including it in the incentive mechanism would "guarantee" a bonus to the Company. Thus, the Authority concludes that the NORA contract is to be excluded from United Cities' incentive mechanism after the first year of the plan. **If, upon the expiration of the current contract and if the Company continues to operate under a PBR plan, the contract is renewed or renegotiated, it could be considered for inclusion in the mechanism at the time.**

Order, Re: Final Order on Phase One, Docket No. 97-01364, dated January 14, 1999, page 27. (Emphasis added).

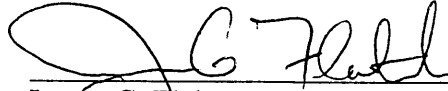
11. The current NORA contract expires on October 31, 2000. United Cities has obtained a new gas supply under a new agreement on the NORA/East Tennessee Gas Pipeline. Pursuant to the language in the Authority's Order, which is cited above, United Cities requests permission to include

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the new contract covering the NORA/East Tennessee Gas Pipeline supplies in its PBR plan.

WHEREFORE, for the reasons set forth herein, United Cities Gas Company respectfully requests that its petition be granted.

Respectfully submitted,



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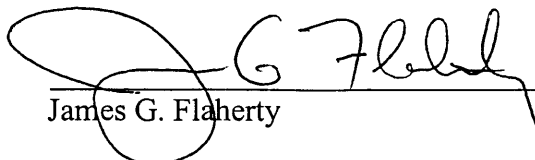
Attorneys for United Cities Gas Company, a division of
Atmos Energy Corporation

CERTIFICATE OF SERVICE

I hereby certify that a copy of the above and foregoing was mailed, postage prepaid, this 21st day of September, 2000, addressed to:

Mr. L. Vincent Williams
Mr. Vance Broemel
Consumer Advocate Division
426 5th Avenue North, 2nd Floor
Nashville, Tennessee 37243

Mr. Richard Collier
Tennessee Regulatory Authority
Legal Division
460 James Robertson Parkway
Nashville, Tennessee 37243


James G. Flaherty

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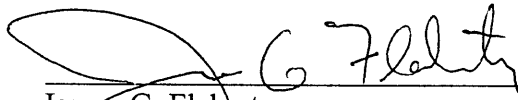
VERIFICATION

STATE OF KANSAS)

FRANKLIN COUNTY)ss:
)

James G. Flaherty, of lawful age, being first duly sworn on oath, states:

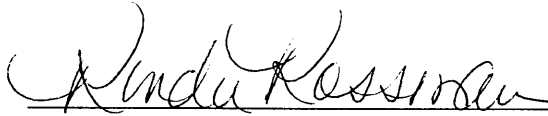
That he is an attorney for United Cities Gas Company, a division of Atmos Energy Corporation; that he has read the above and foregoing UNITED CITIES GAS COMPANY'S PETITION REGARDING AFFILIATED TRANSACTION AND REQUEST FOR PERMISSION TO INCLUDE NEW AGREEMENT COVERING EAST TENNESSEE-NORA DELIVERY POINT, knows the contents thereof; and that the statements contained therein are true.



James G. Flaherty

SUBSCRIBED AND SWORN to before me this 21st day of September, 2000.





Notary Public

My Commission Expires:

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